

Message Text

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 5849

INFO AMEMBASSY GEORGETOWN

AMCONSUL PARAMARIBO

AMEMBASSY PORT AU PRINCE

AMEMBASSY SANTO DOMINGO

C O N F I D E N T I A L KINGSTON 3386

EXDIS

EO 11652: GDS

TAGS: EMIN

SUBJECT BAUXITE NEGOTIATIONS

REF: KINGSTON 3029

1. AMBASSADOR AND DCM LUNCHEDED WITH PATRICK ROUSSEAU, CHAIRMAN OF THE BAUXITE COMMISSION, ON SEPTEMBER 20. ROUSSEAU REPORTED THAT NEGOTIATIONS WITH REVERE ARE WELL ADVANCED AND SHOULD BE COMPLETED IN EARLY OCTOBER. HE SAID THERE HAD ALSO BEEN SEVERAL OPENING SESSIONS WITH KAISER THIS WEEK. HE DID NOT EXPECT TO GET DOWN TO SERIOUS NEGOTIATIONS WITH KAISER UNTIL MID-OCTOBER AND SAID THAT HE WOULD BE SURPRISED IF AN AGREEMENT WITH KAISER COULD BE CONCLUDED BY THE END OF THE YEAR. THIS LEFT NEGOTIATIONS WITH THE OTHER THREE COMPANIES UNTIL NEXT YEAR, AND HE FELT IT MIGHT WELL BE A YEAR FROM NOW BEFORE AGREEMENTS CAN BE CONCLUDED WITH ALL FIVE COMPANIES.

2. ROUSSEAU DID NOT GO INTO DETAIL ON THE NEGOTIATIONS WITH REVERE, BUT HE STRUCK A POSITIVE NOTE SAYING AGREEMENT HAD BEEN REACHED ON ALL BASIC ISSUES AND ONLY DETILS REMAINED TO BE WORKED OUT. HE SAID THAT REVERE HAD AGREED TO A 600,000 TON EXPANSION OF ITS ALUMINA PLANT,
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AND THAT AN ADDITIONAL 200,000 TON EXPANSION AT A LATER

DATE MIGHT BRING THE TOTAL CAPACITY OF THE PLANT TO A MILLION TONS. THE IMMEDIATE NEW CAPACITY WOULD BE OWNED ONE-THIRD EACH BY REVERE ITSELF, BY JAPANESE INTERESTS, AND BY THE GOJ. THIS WOULD GIVE THE GOJ A 29 PERCENT EQUITY IN REVERE'S REFINING OPERATIONS. AS THE SMALLEST LAND-HOLDER OF THE FIVE COMPANIES, REVERE NEVER HAD MAJOR PROBLEMS IN PRINCIPLE WITH THE GOVERNMENT'S INTENTION TO RESUME CONTROL OF COMPANY-OWNED LANDS. THE ONLY ARGUMENT HAS BEEN OVER PRICE AND WHAT THE GOVERNMENT SHOULD PAY FOR IMPROVEMENTS, ROUSSEAU INDICATED. HE ALNA SWTD THAT THE GOVERNMENT WOULD RE-APPORTION BAUXITE RESERVES IN A WAY THAT WOULD HELP OUT REVERE AND RAISE THE AVERAGE QUALITY OF BAUXITE GOING THROUGH ITS PLANT. INTERESTINGLY, ROUSSEAU SAID THAT THE NEGOTIATIONS WITH REVERE HAD INCLUDED DISCUSSIONS ON SOME REVENUE ISSUES AND THAT REVERE'S LIABILITY UNDER TAX AND LEVY LEGISLATION MIGHT BE ALTERED AS A RESULT. HE ALSO INDICATED THAT ANOTHER COMPANY (PROBABLY KAISER) WAS COMING DOWN WITH SOME REVENUE PROPOSALS AND HE HAD EVERY INTENTION OF LOOKING AT THEM SERIOUSLY. ROUSSEAU ANTICIPATED THAT REVERE WOULD WITHDRAW ANY RESERVATIONS OR OBJECTIONS IT HAD TO THE REVENUE FORMULA WHEN AN OVERALL AGREEMENT WAS REACHED. HE ADDED THAT THE GOVERNMENT WOULD NOT SIGN AGREEMENTS WITH THE OTHER COMPANIES UNLESS THEY ALSO WITHDREW THEIR OBJECTIONS (AND PRESUMABLY ALSO THEIR ICSID INITIATIVES).

3. ROUSSEAU COMPAINED ABOUT THE BURDEN THE CONTINUING NEGOTIATIONS CONSTITUTE FOR HIM, AND SAID THAT THE GOJ WAS HAVING DIFFICULTIES HOLDING ITS TEAM TOGETHER. MEYER MATALON HAD BEEN GONE MOST OF THE SUMMER AND, LIKE HIMSELF, COULD NOT PERMANENTLY SACRIFICE HIS PERSONAL AND BUSINESS INTERESTS TO THE INTERESTS OF THE COUNTRY. ALISTAIR MCINTYRE HAD GONE TO CARICOM AND SIR EDGERTON RICHARDSON WAS ABOUT TO ACCEPT A FULL-TIME APPOINTMENT WITH THE INTERNATIONAL BAUXITE ASSOCIATION (IBA).

4. COMMENT: ROUSSEAU STRUCK A MORE SANGUINE NOTE THAN HAVE OTHERS ABOUT THE FUTURE OF THE BAUXITE NEGOTIATIONS (RETEL), PERHAPS ON THE THEORY THAT UP IS THE ONLY WAY TO GO. HE HAD LITTLE DOUBT OF THE GOVERNMENT'S ABILITY TO CONFIDENTIAL

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ACHIEVE AGREEMENT WITH REVERE AND KAISER, AND PERHAPS ALSO WITH THE OTHER THREE COMPANIES AS TIME GOES ON. WHILE THE GOVERNMENT'S BASIC POSITION ON MAJOR ISSUES HAS NOT ALTERED, ROUSSEAU'S PRAGMATIC APPROACH, THE ABSENCE OF DEADLINESS, AND WILLINGNESS TO DISCUSS ALL POINTS OF DIS-AGREEMENT, INCLUDING REVENUE QUESTIONS, LEADS TO GUARDED OPTIMISM THAT AT LEAST SOME PROGRESS MAY BE MADE OVER TIME TOWARDS ESTABLISHING A NEW RELATIONSHIP

BETWEEN THE GOVERNMENT AND THE COMPANIES.

5. SAME EVENING AMBASSADOR SAW PRIME MINISTER MANLEY OFF FOR A PRIVATE HOLIDAY IN THE UNITED STATES. MANLEY ACKNOWLEDGED THAT HE WOULD BE DISCUSSING THE SHAPE OF A SOLUTION WITH REVERE PRINCIPALS IN NEW YORK AND HOPED THAT AN AGREEMENT SATISFACTORY TO BOTH SIDES COULD BE CONCLUDED SHORTLY.

6. HE HAD ALSO RECENTLY HAD CONVERSATIONS WITH EDGAR KAISER AND WAS EQUALLY CONFIDENT THAT A NEGOTIATED SOLUTION WITH KAISER WAS POSSIBLE. GERARD

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